

# **EXHIBIT K**

**Exhibit C**

**Ordinance No. 05-05**

# TRUE COPY CERTIFICATE

Form C of D--16-CR

STATE OF MICHIGAN, }  
City of Detroit } ss.

CITY CLERK'S OFFICE, DETROIT

I, **Jackie L. Currie**, City Clerk of the City of Detroit, in said  
**RESOLUTION**

State, do hereby certify that the annexed paper is a TRUE COPY OF \_\_\_\_\_

adopted (passed) by the City Council at session of

February 4, 2005

and approved by Mayor

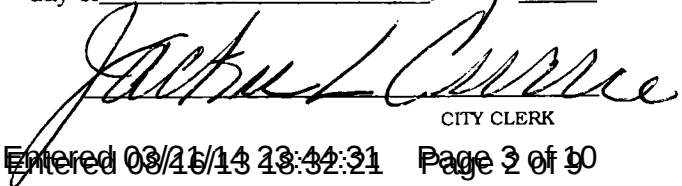
February 8, 2005

as appears from the Journal of said City Council in the office of the City Clerk of Detroit, aforesaid;  
that I have compared the same with the original, and the same is a correct transcript therefrom, and of the  
whole of such original.

In Witness Whereof, I have hereunto set my hand  
and affixed the corporate seal of said City, at

Detroit, this \_\_\_\_\_ 2nd

day of June A.D. 2005

  
CITY CLERK

**FRIDAY, FEBRUARY 4, 2005**

## CHAPTER 18

AN ORDINANCE to authorize the formation by the City, pursuant to the *Home Rule City Act*, 1909 PA 279, as amended, of two non-profit corporations under the *Nonprofit Corporation Act*, 1982 PA 162, as amended, namely, the *Detroit General Retirement System Service Corporation*, and the *Detroit Police and Fire Retirement System Service Corporation*, by amending Chapter 18 of the 1984 Detroit City Code by adding Division 9, entitled "the *Detroit Retirement System Service Corporation*," consisting of Sections 18-5-120 through 18-5-144 to assist the City in meeting its pension obligations; to approve the form of a Standard Service Contract to provide pension funding services to the City by reducing the burden of Unfunded Actuarial Accrued Liabilities (UAAL) and to authorize the City to enter into two Service Contracts for 2005 and to authorize Hedges in connection with the funding of the UAAL of the retirement systems.

**Section 1.** Chapter 18 of the 1984 Detroit City Code, be amended by adding Division 9 to Article 5 as follows:

The Detroit City Council expressly finds and determines that:

(b) Article 9, Section 24 of the 1963 Michigan Constitution obligates the City to maintain the actuarial integrity of its *General Retirement System* (the *GRS*) and its *Police and Fire Retirement System* (the *PFRS*), together, the *Retirement System*.

(d) By Ordinances No. 03-05 and No. 04-05 (the **Alternative Funding Mechanism Ordinances**), the City has provided an alternative funding mechanism for each, respectively, of the GRS and PFRS (each, an **Alternative Funding Mechanism**) to provide for funding unfunded actuarial accrued liability (**UAAL**) of the GRS (**GRS UAAL**) and the UAAL of the PFRS (**PFRS UAAL** and either the GRS UAAL or the PFRS UAAL, as the context may require, the **Retirement System UAAL**).

(f) This Ordinance shall not be deemed to affect any benefits under either the GRS or the PFRS or other subjects of collective bargaining or Act 312 Arbitration Awards, and shall be so interpreted.

(g) The respective Retirement System's actuaries (the *Actuaries* of the respective Retirement System) estimate that GRS UAAL is \$732,958,801 and that PFRS UAAL is \$516,076,553, with additional unrecognized market losses of, respectively, \$213,844,162 and

(h) The City desires to act pursuant to *Home Rule City Act* and authorize the formation of a nonprofit corporation with respect to each Retirement System, to be known respectively as the "***Detroit General Retirement System Service Corporation***" and the "***Detroit Police and Fire Retirement System Service Corporation***" (each, a *Corporation*), to assist the City in maintaining the actuarial integrity of the respective Retirement System through the respective Alternative Funding Mechanism by funding the particular Retirement System UAAL and thereby achieving financial benefits for the City.

(j) Each Corporation shall be separate and distinct from the City, and the City shall not be responsible for any debts or other obligations of either Corporation, and no such debt or obligation shall constitute "indebtedness" within the meaning of *The Home Rule City Act*.

(k) It is in the best interest of the City to obtain the services of each Corporation in connection with the Alternative Funding Mechanism for the respective GRS and PFRS by approving the form of service contracts between each of the Corporations and the City (each, a **Service Contract**) to be funded by means of a funding trust for the respective Retirement System (each, a **Funding Trust**) in connection therewith.

(i) It is further in the best interest of the City that it enter into two specific Service Contracts to fund, respectively, not more than (i) the GRS UAAL in an amount not in excess of the UAAL in the Actuary Report as of June 30, 2003, or in the Actuary Report as of June 30, 2004, whichever is greater (**Maximum GRS UAAL**) and (ii) the PFRS UAAL in an amount not in excess of the UAAL in the Actuary Report as of June 30, 2003, or in the Actuary Report as of June 30, 2004, whichever is greater (**Maximum PFRS UAAL**).

The following terms shall have the following respective meanings *unless* the context otherwise requires:

**Accreted Value** means, at any particular time, the denominations of the Capital Appreciation COPs as then accreted.

**Capital Appreciation COPs** means Zero Coupon COPs that have denominations that accrete in amount in a manner customary in municipal finance for the accretions in value of capital appreciation bonds.

**Certificates, Certificates of Participation or COPs** have the meaning given such terms in Sec. 18-5-133.<sup>1</sup>

**Costs of Issuance** means (i) the expense, as an initial one-time expense, of forming each Corporation; and (ii), with respect to COPs issued to fund a particular Service Contract, all items of expense related to the authorization, sale and issuance of such COPs, which may include, but are not limited to, printing costs, costs of reproducing documents, filing and recording fees, fees and charges of the Trustee, original issue discount, legal fees and charges, underwriting fee or discount, professional consultants' fees (including COPs counsel and the financial advisor to the City), costs of credit ratings, fees and charges for execution, transportation and safe-keeping of such COPs, fees and charges of any Providers, and other costs, charges and fees in connection with the foregoing or in connection with the authorization, sale and issuance of such COPs then to be authenticated or delivered.

**Deep-Discount COPs** means Zero Coupon COPs that are issued at a deep original issue discount.

**Disclosure Document** means any preliminary or final official statement or other disclosure document prepared for use by the Underwriters in connection with the initial public offering of COPs.

**Financial Facility** means, as the context may require, any Credit Facility or Liquidity Facility or any combined Credit and Liquidity Facility.

**Finance Director** means the Finance Director of the City of Detroit.

**Hedge** means any interest rate swap or other means of hedging interest rate volatility permitted under the City of Detroit Swap Management Plan.

**Liquidity Facility** means any letter of credit, line of credit, purchase agreement, or other financial arrangement intended to provide funds for the purchase of any COP in the event of a failure of the remarketing thereof.

**Mayor** means the Chief Executive Officer of the City of Detroit pursuant to Section 5-101 of the 1997 Detroit City Charter.

**Ordinance** when used as "this Ordinance" means this ordinance with the number in the caption hereof as originally adopted by the City and thereafter as it may be amended by ordinance of the City; *provided that*, the term "this Ordinance" does not include any amendment of this Ordinance as originally adopted affecting either Service Contract 2005 *unless* such amendment expressly so provides and then only if such amendment does not materially impair any obligations to any holders of any Certificates issued in respect of either Service Contract 2005 or the Trustee of the Funding Trust under which such Certificates were issued.

**Person** means any natural person, firm, association, corporation, trust, partnership, joint venture, joint-stock company, municipal corporation, public body or other entity, however organized.

**Provider** means a Person obligated under a Financial Facility to make payments in respect of COPs or Authorized Hedges.

**Provider Scheduled Payments** means Scheduled Payments representing unpaid disbursements owing to a Provider in respect of a Financial Facility, and may include Service Charges to the extent required by the Provider.

**Representative** means the Person selected by the Financial Director as the representative of the Underwriters.

**Service Contract 2005** means either the GRS Service Contract 2005 or the PFRS Service Contract 2005, as the context may require. The designation "2005" is descriptive and not prescriptive and means the calendar year in which the City enters into the first Service Contract for the respective Retirement System.

**Trustee** means the Person acting as trustee of a Funding Trust.

**Underwriting Agreement** means the agreement between the Corporation, the City and the Underwriters for the purchase of the Certificates of Participation.

**Underwriters** means the Representative and other Persons identified in the Underwriting Agreement as "Underwriters."

**Zero Coupon COPs** means COPs that do not provide for periodic payments in respect of "Interest." Zero Coupon COPs are either Capital Appreciation COPs or Deep Discount COPs.

The following terms are defined elsewhere in this Ordinance:

<b>Term</b>	<b>Defined In</b>
Act 34 .....	Sec. 18-5-138
Authorized Hedge .....	Sec. 18-5-137
Additional Service	

23:44:31 Page 5 of 10

(i) amounts to be paid in installments (**Scheduled Payments**) representing in the aggregate the amount of the Subject UAAL and any additional amounts permitted by **Sec. 18-5-133(a)(1)** subject to the limitations contained in **Sec. 18-5-133(a)(2)** through (5);

(ii) amounts payable periodically (**Service Charges**) sufficient to pay periodic expenses (**Funding Costs**), incurred by the respective Funding Trust in funding the Subject UAAL and the additional amounts referred to in clause (i) above and calculated in the same manner as interest (a **Funding Rate**) on the outstanding Scheduled Payments, subject to the limitations contained in **Sec. 18-5-133(b)**; and

(iii) such periodic amounts (**Hedge Periodic Payables**) and termination payments (**Hedge Termination Payables**) as may become payable by the Corporation in accordance with any Authorized Hedge.

(4) Each Service Contract 2005 shall permit the sale of participation interests under the respective Funding Trust in such Service Contract 2005 and in the Service Payments of the City to be made thereunder in the form of Certificates of Participation.

**Sec. 18-5-133. Nonprofit Corporation; Service Contract 2005; Limitations on Service Payments.**

**(a) Scheduled Payments**

(1) In addition to the amount of the Subject UAAL, the aggregate amount of Scheduled Payments may include amounts, not in excess of seven percent (7%) of Subject UAAL acceptable to the Finance Director, in connection with the Corporation funding its obligations under the Service Contract through the issuance of COPs, including: Costs of Issuance, prefunded Service Charges, a reserve against delinquent Service Payments, Underwriters' Discount plus accretions in connection with any Capital Appreciation COPs so long as the Accreted Value of Capital Appreciation COPs does not result in such COPs having a yield-to-maturity (computed in accordance with customary municipal finance practice) that exceeds the Maximum Funding Rate.

(2) Scheduled Payments shall be paid over a period of not more than fifteen (15) years, as determined by the Finance Director, provided that, such period may be extended to not in excess of any extension authorized by the Board of the particular Retirement System amortizing period.

(3) Scheduled Payments may be prepaid in accordance with a schedule of mandatory prepayment installments (**Sinking Fund Installments**) as determined by the Finance Director.

(4) Provider Scheduled Payments may be subject to such mandatory prepayment as may be required by the respective Provider (**Provider Prepayments**).

(5) Except for Sinking Fund Installments and Provider Prepayments, no Scheduled Payment shall be subject to mandatory prepayment or acceleration; provided that, nothing in this prohibition shall prohibit the payment of amounts necessary to purchase COPs with a mandatory or optional tender option feature.

**(b) Service Charges**

(1) No Service Charge shall be based on a Funding Rate (expressed as an annual percentage) rate in excess of the maximum rate permitted by law (the **Maximum Funding Rate**).

(2) Funding Rates may be fixed or variable (or any combination of fixed or variable) and if variable may be determined by Dutch auction, index (such as the London Interbank Offered Rate or "LIBOR") or by remarketing or any other means customarily used to determine variable rates in municipal finance (**Funding Rate Methodology**).

(3) It is not required that Service Charges for all installments of Scheduled Payments under a Service Contract 2005 be computed on the basis of one Funding Rate or under one Funding Rate Methodology. Service Charges with respect to different installments of Scheduled Payments under a Service Contract 2005 may be computed under a different Funding Rate or Funding Rate Methodology subject in all cases to paragraph b(1) above.

(4) Service Charges may provide for a rate or rate methodology required by a Provider (a **Provider Rate**) to compensate it for any unrepaid disbursements in respect of its Financial Facility. A Provider Rate shall not exceed the maximum rate permitted by law.

(5) Each Service Contract 2005 may provide that Funding Costs of the Corporation shall be the Provider Rate with respect to Service Payments representing unrepaid amounts in respect of the Financial Facility and that the relevant Service Charges shall be adjusted accordingly.

**Sec. 18-5-134. Nonprofit Corporation; Service Contract 2005; Additional Service Payments.**

Each Service Contract 2005 may provide for the following in addition to the Service Payments (**Additional Service Payments**):

(1) Periodic amounts equal to customary trustee fees and expenses to compensate each Trustee of a Funding Trust;

(2) Periodic amounts equal to customary fees of remarketing agents, auction agents and broker-dealers if the Finance Director determines that it is in the best interest of the City that some or all of the COPs are of the variable rate type.

(3) Periodic amounts equal to customary fees and expenses of a Provider or Providers if the Finance Director determines that it is in the best interest of the City that some or all of the COPs have the benefit of a Financial Facility provided by any such Provider;

(4) Periodic amounts for the general administration of the Corporation.

**Sec. 18-5-135. Nonprofit Corporation; Service Contract 2005; Hedge Provisions.**

(a) No Service Contract shall provide for Service Payments based on payments in respect of a Hedge other than an Authorized Hedge.

(b) A Service Contract 2005 shall contain provisions to the following effect if such Service Contract 2005 provides for Service Payments in respect of an Authorized Hedge:

(1) Any amount due the respective Corporation as a periodic payment of Service Charges shall be offset by any amount (a **Hedge Periodic Receipt**) received by the Trustee on behalf of such Corporation as a correlative periodic payment from the counterparty to the Hedge (the **Hedge Counterparty**) to the extent the City is otherwise current in making Service Payments.

(2) Payments of Hedge Periodic Payables and Hedge Termination Payables shall be made by the City to the Trustee on behalf of the respective Corporation in the amounts and on the due dates thereof.

(3) Any amount received by the Trustee on behalf of the Corporation as a Termination Payment from the Hedge Counterparty (a **Hedge Termination Receipt**) shall be paid to the City to the extent the City is current in making Service Payments.

**Sec. 18-5-136. Nonprofit Corporation; Service Contract 2005; Financial Facilities.**

If the Finance Director determines that one or more Financial Facilities will result in more favorable terms to the City, the Finance Director is authorized to sign a Service Contract on behalf of the City containing provisions with respect to any such Financial Facility.

**Sec. 18-5-137. Nonprofit Corporation; Service Contract 2005; Hedges; Express Approval.**

Such instruments as are acceptable to the Finance Director as being in accordance with **Sec. 18-5-139** shall constitute a Hedge (an **Authorized Hedge**) for which the City may make Service Payments under a Service Contract 2005. One or more Authorized Hedges are permitted for each Service Contract 2005 with Hedge Counterparties selected by the Finance Director.

**Sec. 18-5-138. Nonprofit Corporation; Service Contract 2005; Hedges; References to Act 34 and Swap Management Plan.**

(a) The City Council recognizes that neither the *Revised Municipal Finance Act*, being 2001 PA 34, as amended (Act 34), nor the *City of Detroit, Michigan, Swap Management Plan* as adopted on November 26, 2002, as the same may be thereafter amended (the *Swap Management Plan*), is applicable to the Corporation; however, since a Service Contract 2005 will obligate the City to make payments correlative to payments made by the Corporation under an Authorized Hedge, the City has determined to generally apply criteria of Act 34 and the *Swap Management Plan* as a prudential matter as they relate to Authorized Hedges.

(b) The use of Act 34 and the *Swap Management Plan* as prudential criteria shall not make or be interpreted to make Act 34 or the *Swap Management Plan*

applicable to the Corporation or its transactions as a matter of law.

**Sec. 18-5-139. Nonprofit Corporation; Service Contract 2005; Hedges; Requirements.**

(a) **Counterparty.** The counterparty shall meet the applicable requirements of Act 34.

(b) **Term.** The term of the Hedge shall not extend beyond the due date of the last Scheduled Payment installment.

(c) **Notional Amount.** The notional amount shall not exceed the aggregate amount of the Scheduled Payments.

(d) **Corporation Rate.** The rate payable by the Corporation shall not exceed the Maximum Funding Rate.

(e) **Counterparty Rate.** The rate payable by the counterparty shall not unduly expose the Corporation to material basis risk in the opinion of the Finance Director.

(f) **Termination.** The termination events shall be customary for interest rate swaps of the nature of the Hedge and shall comply with the *Swap Management Plan*.

(g) **Compliance.** The Hedge shall conform to the requirements of Act 34 and comply with the *Swap Management Plan* in all material respects.

**Sec. 18-5-140. Nonprofit Corporation; Service Contract 2005; Hedges; Risk Acknowledgment.**

(a) Hedges have inherent risks. Inherent risks that are generally recognized and reasonably foreseen are set forth in the *Swap Management Plan* as previously approved by the City Council. Any evaluation of risks necessarily involves expectations and assumptions about future events, which by their nature are uncertain and may not occur as anticipated. Furthermore, unforeseen events may occur which may have material adverse effects on present expectations and assumptions. Hence, there can be no assurance that all risks, regardless of remoteness or other unforeseeability, have been evaluated.

(b) Subject to the limitations in any risk evaluation, the City Council expressly acknowledges the risks associated with each Authorized Hedge.

(c) The City Council understands that in order to prudently manage Service Charges and reduce Funding Cost volatility, a Service Contract 2005 may obligate the City to make Service Payments in respect of Hedge Periodic Payables and Hedge Termination Payables even though, due to events beyond the control of the City or the Corporation, the Subject UAAL is not funded.

**Sec. 18-5-141. Nonprofit Corporation; Service Contract 2005; Public Offering of Certificates of Participation; Underwriting Agreement.**

(a) Since the public offering of the COPs is for the benefit of the City, the Finance Director shall make the City a party to the Underwriting Agreement by executing it in the name and on behalf of the City.

(b) The City shall not be a party to the Underwriting Agreement if it provides for compensation to underwriters in excess of one percent (1%) of the aggregate amount of Scheduled Payments (**Underwriters' Discount**) or if the original issue discount in connection with the initial public offering of any COP is greater than ten percent (10%) except in the case of Deep Discount COPs.

(c) The original issue discount for any Deep Discount COPs shall not result in such Deep Discount COPs having a yield-to-maturity (computed in accordance with customary municipal finance practice) that exceeds the Maximum Funding Rate.

(d) An Underwriting Agreement may provide for liquidated damages payable by the City in the event the closing conditions required to be satisfied by either the City or the Corporation are not satisfied. If a good faith check in the amount of the liquidated damages payable by the Underwriters is required to be provided by the Representative, then such good faith check shall be payable to the order of the City.

**Sec. 18-5-142. Disclosure Information.**

(a) The Finance Director is authorized to prepare or cause the preparation of information relating to the City (the **City Information**) for inclusion in the Disclosure Document; to deem the City Information "final" for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the *Securities and Exchange Act of 1934*, as amended (the **Rule**); and to sign the City Information in the name of and on behalf of the City.

(b) The Finance Director may authorize the distribution of the City Information by the Underwriters in connection with the initial public offering of the COPs.

**Sec. 18-5-143. Continuing Disclosure.**

The Finance Director may enter into a Continuing Disclosure Agreement in the name of and on behalf of the City with respect to the City Information in customary form in order to permit the Underwriters and other Persons subject to the Rule to comply therewith in connection with the purchase and sale of COPs.

**Sec. 18-5-144. Actions on Behalf of the City.**

In addition to the authority herein expressly granted to the Finance Director, the Finance Director is hereby authorized and directed to do all things and take all actions necessary or desirable to consummate the other transactions contemplated by this Ordinance.

**Section 2.** If any word, clause, sentence, paragraph, provision, or section of this ordinance is invalidated by any Court of competent jurisdiction, the remaining words, clauses, provisions, paragraphs, and sections shall not be affected and shall continue in full force and effect.

**Section 3.** All ordinances, or parts of ordinances, in conflict with this ordinance are repealed.

**Section 4.** This ordinance is declared necessary to preserve the public peace, health, safety, and welfare of the People of the City of Detroit.

**Section 5.** In the event that this ordinance is approved by a two-thirds (2/3) majority of City Council Members serving, this ordinance shall be given immediate effect and shall become effective upon publication in accordance with Section 4-116 of the 1997 Detroit City Charter.

'See Sec. 18-5-122 for other terms defined elsewhere in this Ordinance.

(J.C.C. p. )  
Passed: February 4, 2005  
Approved: February 8, 2005  
Published: February 14, 2005  
Effective: February 14, 2005  
JACKIE L. CURRIE  
City Clerk

# AFFIDAVIT OF PUBLICATION

IN THE MATTER OF

STATE OF MICHIGAN

County of Wayne

Pushpa Jayaprakash being duly sworn, deposes and  
says the annexed printed copy of a notice was taken from:

The Detroit Legal News

a newspaper printed and circulated in said State and County on:

February 07

A.D. 2005 that (s)he is the agent of the printers of said  
newspaper, and knows well the facts stated herein.

Pushpa Jayaprakash

Pushpa Jayaprakash

Subscribed and sworn to before me this

7th day of February A.D. 2005

Christina Jacobs

Christina Jacobs

Notary Public, Oakland County, MI

My Commission Expires February 24, 2007

Acting in Wayne County, MI





ALL ACTION OF THE CITY COUNCIL APPEARING HEREIN IS SUBJECT TO RECONSIDERATION AND/OR APPROVAL OF THE MAYOR

where the City Council has taken by

March 1, 2005 and the City of

New York City has taken by

(1) That a Public Hearing shall be

through 2005 to be scheduled on

February 9, 2005 at 10:00 AM in the

City Council Chamber of the New

York City Council at 400 City Hall

Center and

(2) That the City Council request that

the Planning and Development

Department Budget Office, Fiscal

Analysis Division, City Planning

Commission and the Research and

Analysis Division be present at the public

hearing.

Adopted as follows:

Res. Council Members: Bales, S.

Carroll, Collins, Time, Tavel, Van

and President Pro Tem H. Gable, Jr.

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